

# FOOD GIANT MARKETS, INC. Annual Report for 1965

CLEVELAND PUBLIC LIBRARY  
BUSINESS INF. BUR.  
CORPORATION FILE





**DIRECTORS** THEODORE E. CUMMINGS\*  
J. HOWARD EDGERTON\*  
HAROLD L. FIERMAN\*  
LAWRENCE A. HARVEY  
RAY L. HOMMES  
J. BRADFORD WHARTON, JR.  
*\*Members of the Executive Committee*

**OFFICERS** HAROLD L. FIERMAN, *Chairman of the Board*  
THEODORE E. CUMMINGS, *President and Chairman of the Executive Committee*  
FRANCIS W. DANIELSON, *Vice President*  
BRUCE J. CAMPBELL, *Vice President-Finance and Treasurer*  
EVERETT E. YOUNT, *Secretary*

**TRANSFER AGENTS** *Marine Midland Grace Trust Company of New York, N.Y.*  
*The Corporation Trust Company of Jersey City, N.J.*

**REGISTRAR** *Chemical Bank New York Trust Company, New York, N.Y.*

**AUDITORS** *Ernst & Ernst*

**COUNSEL** *Kaye, Scholer, Fierman, Hays & Handler, New York, N.Y.*  
*Tyre & Kamins, Beverly Hills, California*

## Comparison for Eight-Year Period 1958-1965

FOOD GIANT MARKETS, INC. AND CONSOLIDATED SUBSIDIARIES

	1965	1964	1963	1962*	1961†	1960	1959*	1958
Net Sales	\$316,546,480	\$307,299,675	\$273,085,628	\$221,392,319	\$196,532,509	\$136,645,328	\$ 94,907,994	\$ 71,017,566
Earnings before Federal Income Tax	7,055,066	8,038,441	6,472,582	6,841,354	5,700,734	5,763,591	3,018,841	1,522,020
Federal Taxes on Income	3,050,000	3,662,054	2,867,000	3,140,000	2,689,600	2,714,000	—\$	—\$
Net Earnings	4,005,066	4,376,387	3,605,582°	3,701,354	3,011,134	3,049,591	3,018,841	1,522,020
Depreciation and Amortization	3,038,761	3,082,449	2,713,850	2,535,181	2,520,246	1,824,392	1,245,090	1,091,238
Cash Flow (net earnings plus amortization and depreciation)	7,043,827	7,458,836	6,319,432	6,236,535	5,531,380	4,873,983	4,263,931	2,613,258
Earnings per Share on Common Stock‡	1.21	1.32	1.09°	1.12	.90	.98	.96	.46
Working Capital	21,112,106	19,335,599	15,696,233	11,395,367¶	10,059,200¶	8,772,145	6,958,277	10,061,397
Stockholders' Equity	35,446,010	32,440,143	28,134,476	25,034,575	21,427,656	19,035,211	17,431,260	14,646,290
Common Shares Outstanding at Year End‡	3,185,107	3,180,640	3,170,932	3,165,901	3,113,724	2,826,742	2,777,460	2,536,568

\*53-week period.

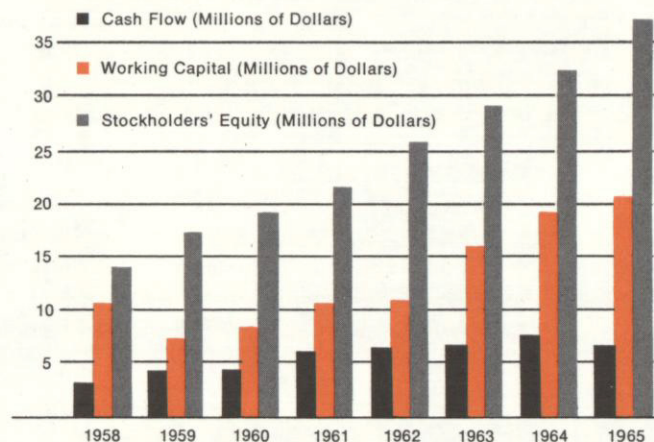
†56-week period.

‡Adjusted for stock dividends paid, three-for-two stock split, and purchases of Treasury Stock.

§Provision for Federal Taxes on Income not required due to prior year's tax loss carry over.

¶Includes \$835,000 in 1962 and \$1,120,000 in 1961 of net current assets reflected in balance sheet under caption "Investments and Other Assets — Investment in McDaniel's Markets."

°Before special non-recurring charge against 1963 after-tax earnings of \$348,322, equivalent to \$.12 per share.





## To Our Shareholders:

Consolidated net sales of Food Giant Markets, Inc. for the 52-week period ended January 30, 1966, were \$316,546,480, compared with \$307,299,675 for the prior year. This volume was adversely affected, to the extent of \$3,403,000, as a result of the discontinuance of four concession departments of Builders Emporium in other discount centers.

After-tax earnings for the year were \$4,005,066 (\$1.21 per share), as compared with \$4,376,387 (\$1.32 per share)\*. All of your Company's divisions and subsidiaries operated profitably during the year.

The Company did not attain the estimated earnings projected for 1965 by reason of a number of non-recurring items adversely affecting profits, such as: (a) Expenses and losses incurred in the termination of the Builders Emporium concessions above described; (b) Expenses involved in converting the Unimart stores in the Los Angeles area from membership stores to open-door, low-cost family department stores; (c) Expenses incurred in the program of re-designing and converting a number of Unimart stores in the Los Angeles area into low-cost family centers, presenting a broader view of soft goods and fashion quality in price range.

These and other factors contributed to the inability of Unimart to develop earnings of that division to the extent anticipated for the last fiscal year. Management believes the major causes for the low Unimart profits will be eliminated by changes in personnel and the installation of new operational procedures, which we feel confident will enable the Unimart division to reach its projected earnings for 1966.

During 1965, three Food Giants, one Unimart low-cost family center and three Builders Emporiums were completed and opened. The Food Giant merchandising complex, on January 30, 1966, consisted of seventy-one supermarkets (Food Giant), thirteen low-cost distribution centers (Unimart), twelve hard goods "do-it-yourself" operations (Builders Emporium), and six package liquor stores.

One Food Giant, one Unimart and two Builders Emporiums, originally scheduled for 1965, were delayed in delivery by the landlord and have been or will be opened prior to April 30, 1966. Your Company has scheduled an additional three Food Giants, two Unimarts and three Builders Emporiums for completion and opening during the balance of 1966.

The balance sheet of your Company continued to show a satisfactory and improved financial condition, with current assets, as of January 30, 1966, of \$44,031,076. Current liabilities were \$22,918,970, reflecting a year-end current ratio of 1.9-to-1 and working capital in excess of \$21,100,000. Stockholders' equity increased from \$32,440,143 to \$35,446,010. Annual cash flow from earnings and depreciation will continue to be sufficient to finance the Company's expansion program.

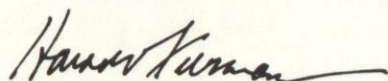
In November, 1965, the Board of Directors inaugurated a cash dividend at the annual rate of 50¢ per share and in February, 1966, they voted to increase annual cash dividends to 80¢ per share. The first quarterly dividend of 20¢ per share was paid March 15, 1966. In this connection, however, the policy of paying stock dividends was discontinued. Two regular semi-annual cash dividends, aggregating 40¢ per share, on Preferred Stock were paid in 1965. In October, 1965, a program of purchasing its common stock was initiated by the Company and, during the fiscal period ended January 30, 1966, the total of such purchases amounted to 28,280 shares. From January 31 through March 31, 1966, there was purchased an additional 50,500 shares, making a total acquired under the program of 78,780 shares. The Company intends to continue the purchase of its common stock at such times and at such prices as are deemed to be in the best interests of the Company.

The operations of Meyenberg Milk Products, Inc., a wholly-owned subsidiary, and Golden Creme Farms, Inc., in which your Company owns a controlling interest, continue to evidence a satisfactory pattern of profits and contribute importantly to the income of your Company.

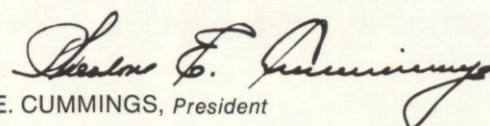
Additions to the executive management during the year included the appointment of D. Barrett Kane as President of the Supermarket Division and Charles Goldstone as President of the Unimart Division. Everett Yount was promoted to the position of President of Builders Emporium.

Your management looks forward to a period of higher level sales and profits over the next twenty-four months. A strong foundation for this confidence is the continuing support of our shareholders and customers and the enthusiasm and loyalty of our growing number of employees and suppliers.

\*Based on 3,185,107 shares outstanding as of January 30, 1966



HAROLD L. FIERMAN, *Chairman of the Board*



THEODORE E. CUMMINGS, *President*







Statement of Consolidated Financial Position / Food Giant Markets, Inc. and Consolidated

ASSETS		
CURRENT ASSETS	January 30, 1966	January 31, 1965 (Note A)
Cash	\$ 8,048,283	\$ 6,205,597
Trade receivables, less allowances (1966 — \$161,225; 1965 — \$154,846) for doubtful	4,513,275	7,503,862
Merchandise inventories — generally at lower of average cost or market	30,325,284	26,401,653
Prepaid expenses	1,122,926	1,178,557
Properties under construction, subject to agreement of sale and lease-back, less interim financing (1966 — \$650,000; 1965 — \$1,764,000)	21,308	492,483
<b>TOTAL CURRENT ASSETS</b>	<b>\$44,031,076</b>	<b>\$41,782,152</b>
INVESTMENTS AND OTHER ASSETS		
Investment in affiliated company — at cost	\$ 2,121,830	\$ 1,937,830
Notes receivable	363,813	507,297
Land not used in operations — at cost	757,859	—
Liquor licenses and sundry	1,643,334	1,663,116
Trademarks, patents, and franchises — at cost less amortization	148,541	156,650
Deferred charges	1,194,197	666,268
<b>TOTAL INVESTMENTS AND OTHER ASSETS</b>	<b>\$ 6,229,574</b>	<b>\$ 4,931,161</b>
PROPERTY, PLANT, AND EQUIPMENT — on the basis of cost — Note B		
Land	\$ 1,452,793	\$ 803,083
Buildings and improvements	3,380,626	2,977,736
Fixtures and equipment	21,452,762	20,843,697
Leaseholds and leasehold improvements	13,450,419	13,162,487
	<b>\$39,736,600</b>	<b>\$37,787,003</b>
Less allowances for depreciation and amortization	17,913,872	15,124,783
<b>TOTAL PROPERTY, PLANT, AND EQUIPMENT</b>	<b>\$21,822,728</b>	<b>\$22,662,220</b>
	<b>\$72,083,378</b>	<b>\$69,375,533</b>



## Subsidiaries

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### CURRENT LIABILITIES

	January 30, 1966	January 31, 1965 (Note A)
Trade accounts payable	\$17,322,273	\$15,485,158
Salaries, wages, and amounts withheld from employees	2,120,473	2,099,634
Federal income taxes	2,000,762	2,501,967
Other taxes	669,710	1,500,393
Current maturities on long-term debt	805,752	859,401
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$22,918,970</b>	<b>\$22,446,553</b>

#### LONG-TERM DEBT — less current maturities — Note B

Promissory note payable	\$ 9,550,000	\$10,275,000
Mortgage notes payable	3,391,159	3,478,218
<b>TOTAL LONG-TERM DEBT</b>	<b>\$12,941,159</b>	<b>\$13,753,218</b>

#### DEFERRED FEDERAL INCOME TAXES — Note C

777,239 735,619

#### STOCKHOLDERS' EQUITY

Capital stock — Notes D and E:		
Preferred Stock, par value \$10 a share:		
4% Cumulative Convertible Preferred Stock; authorized, issued, and outstanding 1966 — 381,131 shares; 1965 — 386,975 shares	\$ 3,811,310	\$ 3,869,750
Other, not presently defined; authorized 522,510 shares, none outstanding	—	—
Common Stock, par value \$1 a share:		
Authorized 5,000,000 shares; issued and outstanding 1966 — 3,311,576 shares; 1965 — 3,182,503 shares (including shares in treasury, 1966 — 126,469; 1965 — 98,189)	3,311,576	3,182,503
Additional capital paid in — Note D	20,255,800	18,212,403
Retained earnings — Note B	10,709,334	9,364,886
	<b>\$38,088,020</b>	<b>\$34,629,542</b>
Less Common Stock in treasury — at cost (1966 — 126,469 shares; 1965 — 98,189 shares)	2,642,010	2,189,399
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$35,446,010</b>	<b>\$32,440,143</b>

#### LEASE COMMITMENTS AND CONTINGENT LIABILITY — Note F

\$72,083,378 \$69,375,533

See notes to financial statements



## Statement of Consolidated Income and Retained Earnings

FOOD GIANT MARKETS, INC. AND CONSOLIDATED SUBSIDIARIES

	Fiscal Years Ended	
	January 30, 1966 (52 weeks)	January 31, 1965 (52 weeks)
Net sales	\$316,546,480	\$307,299,675
Cost of merchandise sold	241,365,778	236,070,513
	\$ 75,180,702	\$ 71,229,162
Selling, administrative, and general expenses	68,684,800	63,763,736
	\$ 6,495,902	\$ 7,465,426
Other income:		
Carrying charges, interest, etc.	\$ 657,153	\$ 639,958
Miscellaneous	863,858	947,770
	\$ 1,521,011	\$ 1,587,728
	\$ 8,016,913	\$ 9,053,154
Other deductions:		
Interest on promissory note	\$ 593,783	\$ 630,361
Interest on mortgage notes	206,141	186,900
Other interest	111,600	69,459
Miscellaneous	50,323	127,993
	\$ 961,847	\$ 1,014,713
	\$ 7,055,066	\$ 8,038,441
	3,050,000	3,662,054
	\$ 4,005,066	\$ 4,376,387
	9,364,886	7,204,079
	\$ 13,369,952	\$ 11,580,466
	\$ 2,114,080	\$ 2,060,291
	153,361	155,289
	393,177	—
	\$ 2,660,618	\$ 2,215,580
	\$ 10,709,334	\$ 9,364,886
	\$ 3,038,761	\$ 3,082,449

See notes to financial statements



## Notes to Financial Statements

FOOD GIANT MARKETS, INC. AND CONSOLIDATED SUBSIDIARIES, JANUARY 30, 1966

### NOTE A — PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all wholly-owned subsidiaries. The financial statements for the year ended January 31, 1965, have been restated to include the accounts of two wholly-owned real estate subsidiaries not previously consolidated. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year accounts have been reclassified to conform to current year classifications.

### NOTE B — LONG-TERM DEBT

The promissory note is payable to an insurance company and is due \$725,000 annually plus interest at 5¾%. The loan agreement places certain restrictions on the amount of funded debt and on the amount of current debt from borrowings, and requires the Company to maintain consolidated working capital of not less than \$11,000,000. The agreement also provides that the Company may not pay cash dividends or acquire its own stock except out of consolidated net income as defined. At January 30, 1966, retained earnings available for these purposes was \$5,942,303.

The mortgage notes are payable \$286,115 annually including interest, and are secured by land and buildings having a cost of \$3,972,477.

### NOTE C — DEFERRED FEDERAL INCOME TAXES

The Company provides for depreciation of certain items of property, plant, and equipment on the straight-line method for financial reporting purposes and on accelerated methods for income tax purposes. Accordingly, provision has been made in the financial statements for the estimated amount of federal income taxes payable in future years.

### NOTE D — CAPITAL STOCK AND ADDITIONAL CAPITAL PAID IN

Changes during the year in capital stock and additional capital paid in are summarized as follows:

	4% Cumulative Convertible Preferred Stock	Common Stock	Additional Capital Paid In
Balances at beginning of year	\$3,869,750	\$3,182,503	\$18,212,403
Conversion of 5,844 shares of Preferred Stock into 4,380 shares of Common Stock	(58,440)	4,380	54,010
2% stock dividends paid — 61,706 shares on July 1, 1965, and 62,987 shares on December 15, 1965, at approximate market value at date of declaration		124,693	1,989,387
Balances at end of year	<u>\$3,811,310</u>	<u>\$3,311,576</u>	<u>\$20,255,800</u>

The Preferred Stock is issuable in series under such terms and conditions as the Board of Directors may determine. The series

presently outstanding may be redeemed at any time at a redemption price equal to \$10.50 a share plus dividends accrued to the redemption date, and in the event of liquidation or dissolution, is entitled to \$10 a share plus dividends accrued to the date of such liquidation or dissolution. At the option of the holder thereof, the shares are convertible into fully-paid Common Stock of the Company at the rate of three-quarters of a share of Common Stock for each share of Preferred Stock. At January 30, 1966, a total of 285,848 shares of Common Stock was reserved for such conversion.

### NOTE E — STOCK OPTIONS

The Company's stock option plan, as amended, provides that options may be granted to officers and key employees to purchase shares of the Company's unissued or reacquired Common Stock at a price of not less than 100% of the fair market value of the shares on the grant date but in no event less than \$17 a share. The options are exercisable in installments of not more than 40% of the optioned shares one year after the date of grant and an additional 30% in each of the two succeeding years but in no event may options be exercised later than five years after grant.

At January 31, 1965, options for 42,681 shares were outstanding and 59,764 shares were reserved for future grants. During the fiscal year ended January 30, 1966, options for 11,000 shares were granted, no options were exercised, and options for 22,760 shares lapsed. At January 30, 1966, (after giving effect to stock dividends declared during the year) options for 32,041 shares (including 15,129 shares exercisable at January 30, 1966) at prices ranging from \$13.37 to \$16.67 a share were outstanding, and 74,543 shares were reserved for future grants. There have been no charges or credits to income with respect to the options.

### NOTE F — LEASE COMMITMENTS AND CONTINGENT LIABILITY

At January 30, 1966, the Company and its subsidiaries were lessees of certain premises under 120 leases, extending through 1990, providing for aggregate minimum annual rentals of approximately \$6,050,000 through 1969, and lesser amounts thereafter to 1990. Many of these leases provide for additional rent based on sales and also provide that the lessee shall pay certain taxes, insurance, and other charges. Total rentals, less sub-lease rental income, amounted to approximately \$6,300,000 for the year ended January 30, 1966.

The companies also lease certain store fixtures and automotive equipment under leases extending through 1975 providing for annual rentals of approximately \$1,650,000. Total rentals for such equipment for the year ended January 30, 1966, approximated \$1,925,000.

At January 30, 1966, the Company was contingently liable as endorser on a \$675,000 note receivable that had been sold. This note had been received on the sale (during 1958) of certain assets of the Company.



## Statement of Changes in Consolidated Working Capital

FOOD GIANT MARKETS, INC. AND CONSOLIDATED SUBSIDIARIES

	Fiscal Years Ended	
	January 30, 1966 (52 weeks)	January 31, 1965 (52 weeks) (Note A)
Working capital at beginning of year	\$19,335,599	\$15,676,988
Additions:		
Net income	4,005,066	4,376,387
Provision for depreciation and amortization of property, plant, and equipment	3,038,761	3,082,449
Provision for deferred federal income taxes	41,620	108,588
Proceeds from sale of Common Stock	—	84,595
	\$26,421,046	\$23,329,007
Deductions:		
Cash dividends paid	\$ 546,538	\$ 155,289
Net additions to property, plant, and equipment	2,199,319	2,761,276
Reduction in long-term debt	812,059	409,078
Increase in investments and other assets	1,298,413	667,765
Purchase of treasury stock	452,611	—
	\$ 5,308,940	\$ 3,993,408
Working capital at end of year	\$21,112,106	\$19,335,599

See notes to financial statements

To the Stockholders and Board of Directors  
Food Giant Markets, Inc., Santa Fe Springs, California

We have examined the statement of consolidated financial position of Food Giant Markets, Inc. and consolidated subsidiaries as of January 30, 1966, and the related statements of consolidated income and retained earnings and changes in working capital for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position, income and retained earnings, and changes in working capital present fairly the consolidated financial position of Food Giant Markets, Inc. and consolidated subsidiaries at January 30, 1966, and the consolidated results of their operations and changes in working capital for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after the restatement explained in Note A.

*Ernst & Ernst*

Los Angeles, California, April 5, 1966

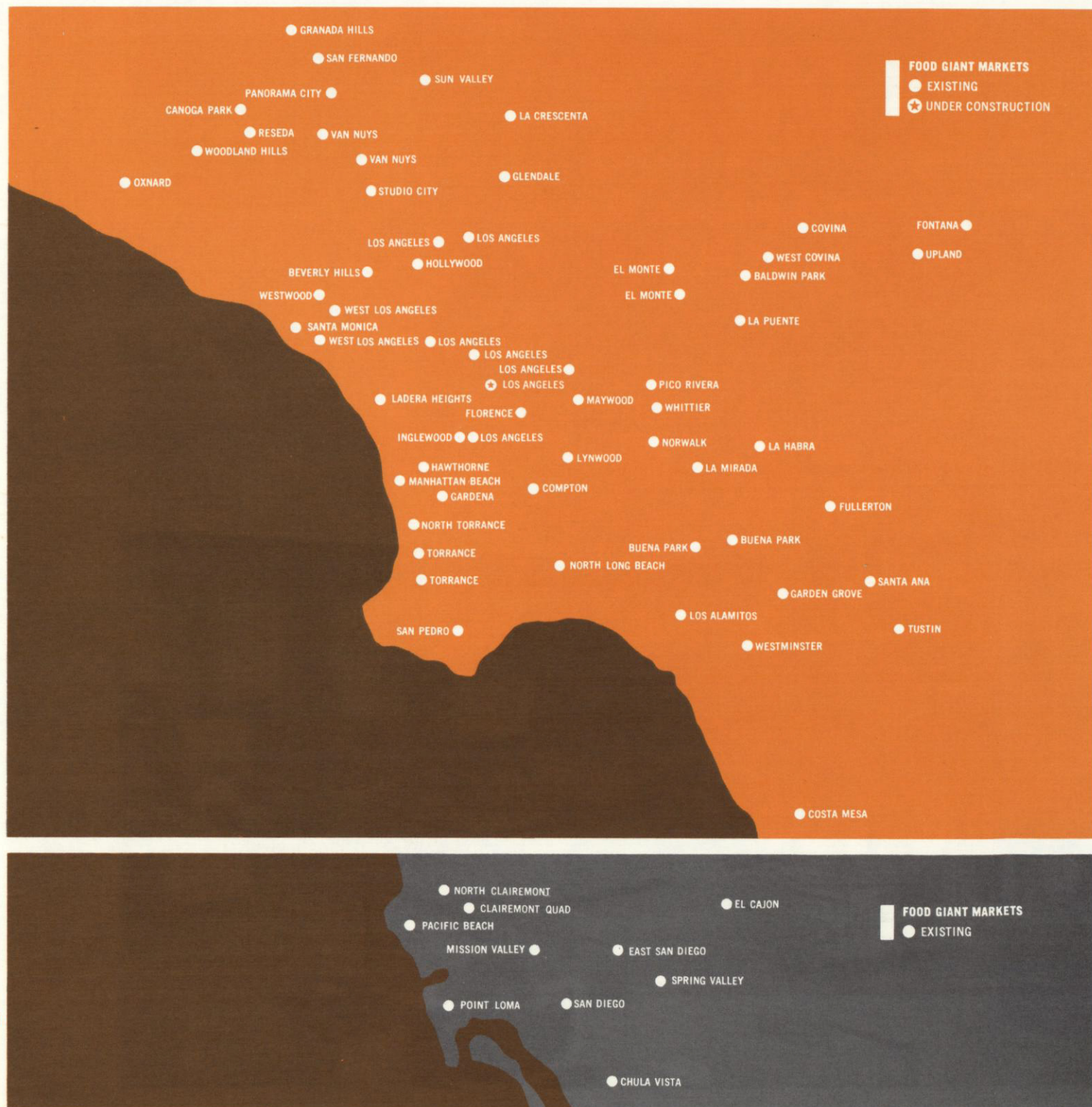






## Food Giant Serves Southern California

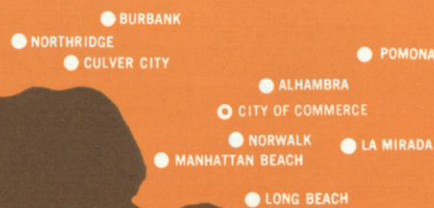
STEADILY GROWING TO MEET THE NEEDS OF THE COMMUNITY







★ OXNARD



● SAN DIEGO  
 ● SAN MATEO  
 ● CHULA VISTA  
 ● EL CAJON



**Packaging your company's image...**Attractively packaged to create an immediate impact at the point of purchase, your Company's private label products are an effective means of presenting the Company image to millions of Southern California consumers. The "house brand" loyalty shown by growing numbers of Food Giant, Unimart, and Builders Emporium customers is a clear indication

of your Company's reputation for highest quality at low prices. Packages and containers for our products are constantly evaluated and improved, with emphasis on promoting fast, favorable identification of Company brands at the store level. The significant role played by package design in your Company's operation is a major factor in our ever increasing acceptance by the community.

